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THE ROLE OF THE FEDERATION OF AFRICAN CHAMBERS OF COMMERCE IN THE PROMOTION OF INTRA-AFRICAN TRADE

INTRODUCTION

1. A cursory review and assessment of the impact of external factors on the achievement of economic development in Africa show that substantial increases in trade exchanges with the developed market economies over the last twenty years have not resulted in corresponding favourable impact on the socio-economic development to the region as a whole or for individual countries. On the contrary, the terms of trade of many African countries have in fact been deteriorating steadily as a result of persistant inflation and recession in the developed countries. A combination of these factors have adversely affected the international demand of Africa's traditional exports. It has also tremendously increased the unit prices of goods imported by African countries.

2. Even though the interdependence of the world economy is an acknowledged fact, it has become more and more obvious that African development policies should first and foremost be based on the internal needs and socio-economic realities of the continent. In other words, the development engine should come primarily from within, and should be envisaged at national, subregional and regional levels.

3. The major factor in intra-African trade is that hitherto, the national chambers of commerce, industry, agriculture and mines have not been fully utilized as instruments for intra-African trade promotion. It should be stressed that the peculiar situation of African countries and the structure of individual domestic markets and economies call for the development of intra-African co-operation and integration especially through the indigenous private business sectors. Intra-African trade constitutes the mainstay of the present African development strategy, both as a means of diversifying the overall trade of the region and of concretizing self reliance and assisting in the economic development of Africa. This cannot be attained without the involvement of the Federation of African Chambers of Commerce. To this end, it should be pointed out that the strategy for the development of Africa in the years 1980-2000 indicates directives and recommends activities to be undertaken including the establishment of relevant institutions which would enable African countries foster their co-operation for the attainment of development objectives set forth in the Lagos Plan of Action. One of the institutions recognized in the Lagos Plan of Action as being important for emplementing such a strategy is the Federation of African Chambers of Commerce.

4. The purpose of this paper is to review the obstacles to the development of Africa in general and intra-african trade in particular so as to identify problem areas requiring the Federation's action in the short and medium terms with a view to drawing programmes for the years 1986-91 within its proposed medium term plan for the same period. For the purpose of this review, the approach will be based on the mix-marketing components i.e. (products, price, promotion, distribution). A related issue is to examine the problems which fall under the Federation's field of competence and how best it can tackle them.

II. OBSTACLES OF THE DEVELOPMENT OF INTRA-AFRICAN TRADE AND MEASURES TO OVERCOME THEM

A. Production

5. One of the most serious problems facing Africa is the inability of the productive sector to generate surpluses to be traded among African countries. Not only is the level of output low due to idle capacities of production but there is also no complementarity between African production structures and demand patterns. Most African countries are primary commodities producers whereas their most pressing needs are for manufactured goods. Thus in addition to the necessary promotion of investments to boost production, one of the most pressing tasks is to seek a linkage between production, demand and consumption and to work out complementarities between them.

6. This complementarity could only be achieved if diversified industrial basis are created and if industrialization is based on the processing of raw materials available at the national, subregional and regional levels with special emphasis on the agricultural and industrial sectors. It has become obvious that the import substitutions industrialization policies have failed to create conditions for any actual economic take-off hence the necessity of re-oriented pattern to heavy industries. This would create the required inter-sectoral linkages without which industrial development would be impossible. Such industries often require investments and markets beyond capacities of individual African countries. Thus subregional, regional and even inter-regional co-operation in investments should be promoted.

7. Other supply constraints arise because of weaknesses in quality controls particularly in manufactured goods. Some manufactured items originating in African countries are of poor quality and do not meet standards required by consumers. In addition to this the lack of harmonization of quality and technical standards within the region constitutes another set of obstacles to the development of intra-African trade.

8. The main thrust of future activities should be the attainment of an optimal quantitative and qualitative level of production to meet African needs through industrial development and diversification. This can best be achieved if enough resources are available for investments and if African markets are integrated so as to enhance the profitability of such investments. It goes without saying that efforts to be made should be made in the business sector, especially the Federation, to include human resources development with a view to up-grading management capabilities and to allow Africans to control their economies.

B. Costs and prices

9. Empirical analysis shows that trade among African countries is also hampered by the uncompetitiveness of African products in terms of costs of production, pricing, quality control, standardization, advertising and packaging. Therefore, competitiveness is a multifaceted aspect which the

Federation should carefully examine. Prices of African products, more especially the manufactured products, are sometimes much higher than those of equivalent items imported from other regions of the World. This is mainly due to the following reasons:

(i) inflationary costs of developed countries are immediately transmitted to and supported by products whose main inputs are imported from those countries at "the seller's market";

(ii) the low level of productivity due to cumbersome work procedures, inadequate technology, below standards skills and social problems;

(iii) oversized industries with large idle capacities, which dramatically increase their unit cost-prices;

(iv) inappropriate pricing mechanisms and methods resulting in overpriced and uncompetitive goods (see costing and accounting methods);

(v) prohibitive costs of transportation and transit due to poor transport facilities and sometimes to the inexistence of sufficient freight and traffic between countries even when they have access to the sea (costal transportation is still underexploited in Africa)

(vi) high tariff rates and duties levied on imported goods

(vii) non tariff barriers, cumbersome delaying procedures and documentations which can aggravate the costs of goods by the cost of immobilization of capital they incur.

10. In addition to medium and long term solutions, the Federation should play a more active role to assist in the shift from the present industrial development policies and patterns to more self reliant production, marketing and distribution structures. The main considerations of such activities should be the following:

(a) to reduce Africa's dependance on external input-factors whenever feasible;

(b) to establish information systems which will enable African buyers to increase their knowledge of supply sources in other African countries in their lines of business and current trading conditions prices, payment arrangements, quality and delivery periods etc. with a view to putting into contact various suppliers and for getting better conditions for their imports;

(c) to train African importers for the up-grading of their skills in purchasing and import management techniques, productivity and export pricing, industrial management techniques and procedures; costing/pricing, and accounting systems.

(d) to reduce the underutilization of production capacities as a price aggravating factor is directly linked to the size of available markets hence its solution can be found in bilateral and multilateral trade liberalization arrangements. The same applies to tariff obstacles

(e) to improve trade facilitation measures such as simplification of documentation and procedures, transit agreements etc... will also help reduce costs of imports by minimizing the costs of immobilization of capital. Costs of transportation can be minimized in two ways:

(i) reinforcing the negotiating position of Africa by increasing volume of goods to be transported and mastering negotiating techniques based on accurate information. This can be achieved through collective freight booking arrangements and harmonization of negotiating positions of African businessmen vis-a-vis transport companies.

(ii) The direct control and collective ownership of transport facilities, such as shipping lines, air transport companies can guarantee enlarged markets and profitability, it can also help re-orient networks of routes to the best of intra-regional trade.

C. Marketing, advertising and distribution

11. This involves all activities required to put goods at the disposal of consumers including communications, transport, transit, advertising sales networks and payments facilities.

(a) Transports and communications

12. The prohibitive costs of transportation referred to earlier are better explained against the underdeveloped situation of transport networks and services in Africa which do not favour intra-African trade. Transport networks and services still follow the dominant pattern of trade i.e. they are externaly oriented linking the continent with its traditional partners of the developed market economies.

13. In addition to efforts being made on Trans-African Highways, harmonization of railways and communications in the framework of the United Nations Transports and Communications Decade, it is obvious that unless national networks are developed with the construction of main and feeder-roads, the objective of developing intra-African and domestic trade will not be totally achieved. The Federation should examine ways in which it can persuade the African governments to give priority to this vital sector.

(b) Transit, custom procedures and other facilitation

14. Trade and transit facilitation is a crucial element in intra-African trade. Due to the large number of land-locked countries in Africa, tremendous delays and loses are presently recorded due to the lack of transit facilities. It is therefore urgent and imperative to put emphasis on transit arrangements and to work out the modus operandi for intra-African trade.

D. Sales promotion and services

15. Africa's trade is still mainly controlled by foreign transnational corporations with vertically integrated networks linking African based branches to parent companies in market developed economies in shuttle service schemes. This will maintain the present trade pattern unless efforts are made to establish and strengthen new distribution networks linking African business communities through bilateral and/or multilateral long term purchasing agreements and/or the establishment of multinational marketing enterprises bringing together arrangements with the trading houses which do not favour indigenous enterprises.

E. Financing and payments arrangements

16. The present foreign exchange crisis has compelled most African countries to drastically reduce their imports even from the traditional suppliers of developed countries. Credit and payment facilities have become crucial factors which determine an exporter's success or failure in today's highly competitive markets. Traditionally, commercial banks are not equipped to offer such facilities and the existing foreign owned commercial banks have different priorities and their activities favour operations related to the North-South Traditional Trade. This is particularly so with regard to intra-African trade which usually received very low priority in foreign exchange allocations. For the future trade strategy, it is important for African countries to establish export credit and other trade financing facilities to enhance their ability to export to other developing countries in general and more specially to African countries. There also is the need for a new banking system, including commercial banks, to be oriented towards development objectives of African countries. It is also important that the banking networks of African countries be integrated at the subregional and regional levels to offer maximum guarantee for the mobilization of resources for intra-African trade.

17. It is not worthy that African countries have embarked on the establishment of payments and clearing arrangements such as the clearing houses in West, Central, Eastern and Southern Africa with a view to reducing the use of foreign currency in their trade relations. However these arrangements are already facing same difficulties because of recurrent trade deficits of some of the participating countries. There is therefore a pressing need to continue to devise trade mechanisms which help reduce the deficits.

III. THE ROLE OF THE FEDERATION IN TRADE PROMOTION

a) Trade information systems

18. As was stated earlier, one of the main issues to be addressed in Africa is the lack of trade and investments information coupled with insufficient and ineffective contacts between African businessmen. African producers/exporters, importers/consumers do not have enough information on markets for their products and the availability of products from other countries. Market conditions in any one African country, are largely unknown to the majority of the African business community. Developed countries are quite aware of this and their exporters have pertinent policies on the matter which enable them to continually capture African markets by strongly influencing African consumers with well conceived advertising messages based on the demonstrative effect of international consumption. Therefore the Federation of African Chambers of Commerce should press the African countries to pass protective legislation on advertising and related practices of foreign companies. At the same time efforts to promote genuine industrial development by accelerating the obsolescence of manufactured products cannot be sustained.

19. If intra-African trade is to be developed, it is urgent to establish collective trade information systems at the subregional and regional levels to ease trade information flows within Africa and possibly to channel information on external markets to African end-users. Such an information system should have components located within trade promotion centres at the various levels including national chambers of commerce. It should use all possible media (directories, magazines, bulletins, market studies, statistical commendiae, telex, computers to reach business decision makers on a regular basis. As a complement to this, it is imperative to establish or strengthen national, subregional and regional trade promotion mechanisms and to enhance the role of the Federation of chambers of commerce in trade promotion so as to promote not only inter-governmental co-operation but also co-operation between private business operators.

20. Another aspect which requires mention is that African business executives travel mainly to visit developed countries. But contacts within Africa are sporadic and often ineffective. Since development of trade in general depends to a large extent on contacts, it is important to plan for mechanisms to improve contacts between African businessmen. In addition to the OAU sponsored All Africa Trade Fair specialized trade fairs and exhibitions should be organized along with investors' forums and symposiums which will discuss sectoral issues, concrete co-operation schemes and formulate suggestions for government policies.

21. In sum, trade promotion tasks in which the Federation can take an active role include:

(a) the establishment and/or strengthening of trade promotion mechanisms including chambers of commerce at the national, subregional and regional levels. Such mechanisms will be the focal point for an African regional trade information system which would ease the flow of trade and investments information throughout the continent and fill the present glaring gap;

(b) the training of qualified trade promotion officers, technicians and managers well aware of business developments. (c) the organization of promotional events including specialized trade fairs, investors' fora and symposiae which would be opportunities for increased contacts between business executives.

(b) Financing intra-African trade

22. The magnitude of trade promotion tasks in Africa is so important and activities involved so diversified that institutions envisaged for the purpose will have to be devised in such a way as to make the required impact. The range of activities to be undertaken involves almost all the fields of economic development from production to transport, distribution, prices, development of human resources. Considerable achievement has already been made in the establishment of African inter-governmental organizations dealing on a sectoral basis approach with aspects of the recommended integrated trade promotion policies described earlier.

23. The magnitude of capital requirements for intra-African trade promotion and expansion is far beyond what the above institution could provide and there is an obvious need for additional resource mobilization mechanisms to supplement inter-governmental financing institutions. The present African environment is characterized by its openness to private sector initiative in the field of investment and trade financing hence the ECO Bank project started in West Africa is a sound one and should rapidly be extended to other subregions. The Federation of African Chambers of Commerce could play a vital role by providing the necessary support for that and for the linking of subregional networks into a regional network of ECO banks and the establishment of intra-regional investment Funds.

24. The areas in which the Federation's intervention can effectively contribute to productive sectors in general and more specially in industrial development are mainly:

(i) the establishment of resources mobilizing mechanisms including financial institutions and credit schemes at the national, subregional, regional and inter-regional levels to supplement existing public arrangements;

(ii) the participation in the board of directors of all supportive centres and organizations created by African governments and dealing with technology, engineering, manufacturing, standardization and technical training with a view to influencing their orientations to the best of the producers interest;

(iv) the identification of opportunities for multinational co-operation in industrial projects based on the processing of locally available inputs whenever feasible.

(v) the organization and/or sponsorship of promotional events including investors' fora and specialized Trade Fairs.

(c) Trade liberalization

25. One of the most pressing tasks in enhancing the competitiveness of African products and in promoting intra-African trade is the establishment of trade liberalization mechanisms such as preferential trade areas, economic communities, customs unions etc... to reduce most aggravating factors related to tariff and non tariff barriers. Such mechanisms are already established by African countries in all subregions of the continent except for North Africa. These include the Economic Community of West African States (ECOWAS), the Preferential Trade Area of Eastern and Southern African States (PTA) and the Economic Community of Central African States (ECCAS).

26. It is nevertheless true that the private economic operators constitute the missing link in trade liberalization. This is partly because in the process for the establishment of all those economic groupings, no provision was made to involve national chambers of commerce in such activities. Subregional and regional business organizations, more specially of Chambers of Commerce, are not associated with the policy making and the implementation of current economic integration endeavours including the establishment of the future African Common Market and the African Economic Community.

27. The analysis shows that the restructuring of African markets through the integration of chambers of commerce would have a dramatic effect on the competitiveness of African made products by providing opportunities of rehabilitation the presently underutilized industrial capacities and thereby, reducing fixed unit costs through economies of scale.

28. Trade liberalization is also hampered by the lack of harmonization in investments, imports and exports policies and management which calls for an immediate action in the field of trade and investment information. The establishment of a regional integrated trade and investment information system should be a priority if intra-African trade is to be developed. The Federation of African Chambers of Commerce could play a role as a regional coordinating point of national and subregional business oriented information (chambers of commerce and their subregional associations) and also as a central pool for trade and investment information. In this process the Federation could devise schemes, chart out programmes and advise on how to improve trade information centres existing within chambers of commerce at the national and subregional levels.

29. The Federation could also play a critical role in harmonizing and coordinating African businessmen's negotiating position vis-à-vis organizations such as shipping lines and their conference by laying foundations for collective freight booking centres in the medium term so as to minimize cost aggravating factors of freight rates and to improve services in that field. The Federation could also assist in identifying opportunities for African multinational cooperation for investments in the transport sector including collective ownership of shipping lines, air transport companies, which would then help reorientate transport networks to serve the best interests of Africa.

IV. CONCLUSIONS

30. From the foregoing brief analysis, it is evident that our integral part of the intra-African trade strategy should include an immediate and intensive programme to increase the trade and exchanges of African produced goods and services in order to reduce our dependence on external markets. This is an area in which the Federation of African Chambers of Commerce can play a crucial role. Since Africa is faced with a serious economic crisis, new and serious exchange of information should be conducted primarily within the existing subregional groupings to look for new opportunities in trade among the African countries. It is deplorable that the African market is presently exploited by foreign interests from North America, South East Asia, Japan, Western and Eastern Europe. Therefore, new positive attitudes towards African-made goods through the launching of 'BUY AFRICAN GOODS' campaign should be encouraged as a means of ensuring collective self-reliance and of enhancing further growth. To this end, the Federation should be fully supported by all African countries in its new role as a catalyst for intra-African trade promotion.

31. To sum up, the Federation should actively involve itself in priority tasks in the field of production including: (i) the re-orientation of production policies and plans so as to give priority to the processing of raw materials available within Africa, to create backward forward intersectoral linkages and to link demand and supply (ii) the promotion of productive investments through appropriate incentives to both local and foreign investors, the establishment of capital mobilization mechanisms, including the re-orientation of the existing banking systems towards the financing of indigenous inward looking productive activities and to promote intra and inter-regional co-operation in investment financing (iii) the harmonization of quality and technical standards within the region (iv) the training of skilled manpower including technicians and managers.

32. Finally the improvement of distribution activities will depend on the participation of the Federation in the implementation of the following tasks: (a) the accelerated construction of inverted transport and communications networks linking African countries (b) the establishment and/or strengthening of transit arrangements backed up credible multinational guarantees (c) the promotion of long term purchasing and counter purchasing arrangements including multinational marketing enterprises which would generate new inverted distribution networks; (d) the creation of trade financing mechanisms including export credit facilities, integrated intra-African oriented networks of commercial banks and an African Monetary Fund to assist in the harmonization of monetary policies and payments (e) the establishment of subregional common markets and a regional common market.